

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Marshall Township</u>	County Calhoun
Audit Date March 31, 2004	Opinion Date May 25, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|--|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address		City	State
Accountant Signature 		ZIP	

Township of Marshall Calhoun County, Michigan

**Financial Report
with Additional Information
March 31, 2004**

Township of Marshall, Michigan

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Independent Auditor's Report

To the Members of the Board
Township of Marshall, Michigan

We have audited the accompanying general purpose financial statements of the Township of Marshall, Michigan as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Marshall, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Marshall, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 25, 2004

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Township of Marshall, Michigan

Combined Balance Sheet All Fund Types and Account Groups March 31, 2004

	Governmental Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
					March 31	
	General	Tax Collection Fund	General Fixed Assets	General Long-term Debt	2004	2003
Assets						
Cash and investments (Note 2)	\$ 546,446	\$ 2,620	\$ -	\$ -	\$ 549,066	\$ 672,947
Due from other funds	2,620	-	-	-	2,620	1,079
Delinquent taxes receivable	7,457	-	-	-	7,457	8,237
Property, plant and equipment (Note 3)	-	-	1,279,323	-	1,279,323	879,025
Amount to be provided for retirement of general long-term debt	-	-	-	190,000	190,000	16,742
Total assets	\$ 556,523	\$ 2,620	\$ 1,279,323	\$ 190,000	\$ 2,028,466	\$ 1,578,030
Liabilities and Fund Equity						
Liabilities						
Due to other funds	\$ -	\$ 2,620	\$ -	\$ -	\$ 2,620	\$ 1,079
Due to other governmental units	927	-	-	-	927	-
Accounts payable	27,079	-	-	-	27,079	12,999
Other current liabilities	1,751	-	-	-	1,751	3,390
Long-term debt (Note 4)	-	-	-	190,000	190,000	16,742
Total liabilities	29,757	2,620	-	190,000	222,377	34,210
Fund Equity						
Investment in general fixed assets	-	-	1,279,323	-	1,279,323	879,025
Fund balances:						
Reserved (Note 8)	6,120	-	-	-	6,120	-
Unreserved:						
Designated (Note 5)	132,867	-	-	-	132,867	275,867
Undesignated	387,779	-	-	-	387,779	388,928
Total fund equity	526,766	-	1,279,323	-	1,806,089	1,543,820
Total liabilities and fund equity	\$ 556,523	\$ 2,620	\$ 1,279,323	\$ 190,000	\$ 2,028,466	\$ 1,578,030

See Notes to Financial Statements.

Township of Marshall, Michigan

Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Fund Type Year Ended March 31, 2004

	Year Ended March 31, 2003 (Memorandum Only)	
	General Fund	Only)
Revenue		
Taxes	\$ 146,122	\$ 142,443
Licenses and permits	58,093	48,214
State sources	205,222	223,756
Charges for services	39,003	37,356
Interest	11,322	9,465
Debt proceeds	<u>200,000</u>	<u>-</u>
Total revenue	659,762	461,234
Expenditures		
General government	164,625	190,209
Public safety	567,056	200,167
Street expenditures	23,756	25,276
Planning and zoning	24,959	24,252
Debt service	<u>17,395</u>	<u>17,806</u>
Total expenditures	<u>797,791</u>	<u>457,710</u>
Excess of Revenue Over (Under) Expenditures	(138,029)	3,524
Fund Balances - Beginning of year	<u>664,795</u>	<u>661,271</u>
Fund Balances - End of year	<u><u>\$ 526,766</u></u>	<u><u>\$ 664,795</u></u>

Township of Marshall, Michigan

Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual Governmental Fund Type Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Taxes	\$ 144,000	\$ 146,122	\$ 2,122
Licenses and permits	56,500	58,093	1,593
State sources	200,000	205,222	5,222
Installment Purchase Proceeds	200,000	200,000	-
Charges for services	19,000	39,003	20,003
Interest	11,000	11,322	322
Other	25,000	-	(25,000)
Total revenue	655,500	659,762	4,262
Expenditures			
General government	166,700	164,625	2,075
Public safety	538,750	567,056	(28,306)
Street expenditures	35,500	23,756	11,744
Planning and zoning	20,000	24,959	(4,959)
Contingency	18,050	-	18,050
Debt service	19,500	17,395	2,105
Total expenditures	798,500	797,791	709
Excess of Revenue Over (Under) Expenditures	(143,000)	(138,029)	4,971
Fund Balances - Beginning of year	664,795	664,795	-
Fund Balances - End of year	<u>\$ 521,795</u>	<u>\$ 526,766</u>	<u>\$ 4,971</u>

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Township is governed by an elected five-member Board of Trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

All governmental funds and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Note 1 - Summary of Significant Accounting Policies (Continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Payments for most inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Interest on long-term debt is not recorded as an expenditure until its due date.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Investments - Investments are recorded at fair value, based on quoted market prices.

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

The Township's deposits and investments included on the balance sheet are comprised of the following items.

Cash and cash equivalents	\$ 237,163
Certificates of deposit	166,931
Money market fund	<u>144,972</u>
Total	<u>\$ 549,066</u>

This money market investment is not categorized as to risk because it is not evidenced by any securities that exist in physical or book entry form. These investments are registered with the SEC.

The Township's cash and investments at March 31, 2004 consist solely of deposits with financial institutions and a money market investment with a brokerage firm. The bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$407,274, of which \$266,997 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times during the year. The Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Retirements and Other	Balance March 31, 2004
Land	\$ 7,369	\$ -	\$ -	\$ 7,369
Land improvements	13,990	-	-	13,990
Buildings	184,141	-	-	184,141
Automobiles	4,791	-	-	4,791
Fire trucks	285,178	349,281	-	634,459
Machinery and equipment	289,387	51,017	-	340,404
Office equipment	94,169	-	-	94,169
Total investment in general fixed assets	<u>\$ 879,025</u>	<u>\$ 400,298</u>	<u>\$ -</u>	<u>\$ 1,279,323</u>

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 4 - Long-Term Debt

The Township has an installment contract with a bank for \$190,000 outstanding at March 31, 2004, for the purchase of fire equipment. Payments are quarterly, including interest at 2.99%. The contract is due in November 2008.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of Marshall Township for the year ended March 31, 2003.

	General Obligations
Balance - April 1, 2003	\$ 16,742
Debt retired	(26,742)
Debt issued	<u>200,000</u>
Balance - March 31, 2004	<u>\$ 190,000</u>

Debt Service Requirements

The annual debt service requirements, including both principal and interest, are as follows:

Year Ending <u>March 31</u>	
2004	\$ 45,215
2005	44,036
2006	42,840
2007	41,644
2008	<u>30,448</u>
Total	<u>\$ 204,183</u>

Interest

Interest expense totaled \$1,096 for the year ended March 31, 2004.

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 5 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Township development	\$ 23,000
Fire truck and equipment	<u>109,867</u>
Total	<u>\$ 132,867</u>

Note 6 - Budget Information

The annual budget is prepared by the Township Treasurer and presented to the board by the Supervisor. The annual budget is adopted by the Township Board and subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Fund Type) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual expenditures to the General Fund budget, as adopted by the Township Board, is included in the additional information. This comparison includes expenditure budget overruns.

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits. The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 8 - Construction Fees

The Township charges various fees for building, electrical, mechanical and plumbing permits. In accordance with requirements, the following is a summary of the revenue and expenditures for the permits for the year ended March 31, 2004. Currently, overhead costs associated with these fees have not been analyzed. However, they would reduce the cumulative excess of revenue over expenditures.

Permit charges	\$ 56,884
Inspector fees	<u>(49,371)</u>
Revenue over expenditures	7,513
Beginning balance of reserve	<u>(1,393)</u>
Ending balance of reserve	<u>\$ 6,120</u>

Note 9 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes three percent of employees' gross earnings for employees with wages greater than \$5,000 during the fiscal year. In accordance with these requirements, the Township contributed \$1,095 during the year ended March 31, 2004.

Township of Marshall, Michigan

Notes to Financial Statements March 31, 2004

Note 10 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Township plans to adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Additional Information



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To the Members of the Board
Township of Marshall, Michigan

We have audited the general purpose financial statements of the Township of Marshall, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Marshall, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

May 25, 2004

Township of Marshall, Michigan

General Fund Schedule of Expenditures – Budget to Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Supervisor:			
Salary	\$	\$ 12,245	\$
Payroll taxes		936	
Total Supervisor	13,500	13,181	319
Clerk:			
Salary		18,191	
Deputy clerk		1,080	
Payroll taxes		1,474	
Office supplies		30	
Education		1,658	
Other		748	
Total Clerk	24,600	23,181	1,419
Treasurer:			
Salary		17,425	
Payroll taxes		1,333	
Supplies		93	
Other		523	
Total Treasurer	19,000	19,374	(374)
Township Board:			
Salaries		4,392	
Payroll taxes		336	
Memberships and dues		2,577	
Supplies		808	
Professional services		24,649	
Postage		1,918	
Repair and maintenance		1,366	
Other		681	
Total Township Board	35,000	36,727	(1,727)

Township of Marshall, Michigan

General Fund Schedule of Expenditures – Budget to Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
General Government (Continued)			
Township Hall:			
Salary		4,298	
Payroll taxes		328	
Insurance and bonds		28,508	
Repair and maintenance		5,421	
Telephone		1,718	
Gas and electric		4,669	
Office supplies		2,699	
Snow removal		120	
Lawn care		2,555	
Total Township Hall	50,000	50,316	(316)
Elections:			
Salary		59	
Other		556	
Total Elections	1,000	615	385
General Services:			
Board of Review	1,600	2,215	
Cemetery	3,000	2,039	
Total General Services	4,600	4,254	346
Assessor:			
Assessor and tax roll preparation		16,095	
Office supplies		415	
Other		467	
Total Assessor	19,000	16,977	2,023
Total General Government	166,700	164,625	2,075

Township of Marshall, Michigan

General Fund Schedule of Expenditures – Budget to Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Fire Protection:			
Salaries		65,543	
Payroll taxes		5,252	
Operating supplies and maintenance		56,848	
Other		15,077	
Capital outlay		372,838	
Membership and dues		525	
Utilities		1,602	
Total Fire Protection	488,750	517,685	(28,935)
Inspection:			
Salaries		11,000	
Building inspector		19,513	
Plumbing inspector		4,169	
Mechanical inspector		6,384	
Electrical inspector		5,240	
Payroll taxes		2,427	
Miscellaneous		638	
Total Inspection	50,000	49,371	629
Total Public Safety	538,750	567,056	(28,306)
Street			
Utilities - Lighting		11,868	
Street care		11,888	
Total Street	35,500	23,756	11,744

Township of Marshall, Michigan

General Fund Schedule of Expenditures – Budget to Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Planning and Zoning			
Planning and zoning consultant		2,579	
Board salaries		5,753	
Administrative salaries		11,639	
Payroll taxes		2,172	
Supplies and other		2,816	
Total Planning and Zoning	20,000	24,959	(4,959)
Contingency	18,050	-	18,050
Debt Service - Payment on debt	19,500	17,395	2,105
Total General Fund Expenditures	<u>\$ 798,500</u>	<u>\$ 797,791</u>	<u>\$ 709</u>



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July 16, 2004

Members of the Marshall Township Board
Marshall, MI 49068

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Marshall Township for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This report contains items considered to be a reportable condition, as defined above, as well as other items we feel warrant your consideration.

Bank Reconciliations

The Township is not yet preparing bank reconciliations on the bank accounts throughout the year. We recommend the Township adopt a monthly reconciliation process to balance between the amount on the general ledger for a specific cash account, and the amount reported to you monthly by the bank. If you have any questions regarding this, please let us know and we would be happy to assist you.

Trust & Agency Account

During the year, the Township closed one of the Trust and Agency cash accounts that accounted for trailer park fees and delinquent personal property taxes that are owed to other governmental units. This activity is now accounted for in the general fund. We recommend the Township track this activity in one general ledger balance sheet account. All receipts should be recorded in general fund cash and the off-set account should be the new balance sheet account, a liability account. All disbursements made to other government units should reduce general fund cash and the related liability account. Accounting for the activity in this manner will enable the Township to know at any given time what the liability is to other governmental units from the general fund.

Thank you for the opportunity to perform your audit, and please contact us for any further assistance.

Very truly yours,

PLANTE & MORAN, PLLC

Plante & Moran, PLLC



A worldwide association of independent accounting firms